

PROVINCE OF SASKATCHEWAN



2010

ANNUAL REPORT

**PUBLIC EMPLOYEES
DENTAL FUND**

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Letters of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the nineteenth Annual Report of the
Public Employees Dental Fund for the year ending December 31, 2010.

A handwritten signature in cursive script, identified as Ken Krawetz.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to
transmit herewith the nineteenth Annual Report of the Public Employees
Dental Fund for the year ending December 31, 2010.

A handwritten signature in cursive script, identified as Brian Smith.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Dental Fund

Introduction

The Public Employees Dental Plan was established on February 1, 1982.

The intent of the Plan is to promote good dental health by reducing costs for preventive, routine and major restorative dental work.

Coverage is provided to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also eligible for coverage under the Plan.

As at December 31, 2010 there were approximately 28,205 insured employees.

Participating Employers

The following employers participate in The Government of Saskatchewan Public Employees Dental Plan:

Board of Arbitration under The Surface Rights
Acquisition and Compensation Act (The)
Cafeteria Board of Saskatchewan
Chief Electoral Officer (Office of the)
Children's Advocate (Office of the)
Crown Investments Corporation of
Saskatchewan
Enterprise Saskatchewan
Farm Land Security Board
Global Transportation Hub Authority (The)
Horned Cattle Fund
Information and Privacy Commissioner (Office
of the)
Information Services Corporation of
Saskatchewan
Innovation Saskatchewan
Leader of the Opposition (Office of the)
Legislative Assembly Service
Liquor and Gaming Authority
Meewasin Valley Authority
NDP Caucus Office
Ombudsman (Office of the)
Power Greenhouses Inc.
Prairie Diagnostic Services Inc.
Provincial Auditor (Office of the)

Residential Tenancies (Office of)
Safe Saskatchewan Inc.
Sask Pork
Saskatchewan Archives Board
Saskatchewan Arts Board
Saskatchewan Assessment Management
Agency
Saskatchewan Centre of the Arts
Saskatchewan Crop Insurance Corporation
Saskatchewan Government Insurance
Saskatchewan Human Rights Commission
Saskatchewan Institute of Applied Science and
Technology
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Saskatchewan Party Caucus
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding
Corporation
Saskatchewan Transportation Company
SaskEnergy Incorporated
SecurTek Monitoring Solutions Inc.
St. Louis Alcoholism Centre Board of Governors
Technical Safety Authority of Saskatchewan
TransGas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Authority
Wascana Centre Authority
Western Development Museums
Workers' Compensation Board (The)

The Government of Saskatchewan with respect to the following individuals:

Assistant Chief Electoral Officer
Chief Electoral Officer
Children's Advocate
Conflict of Interest Commissioner
Director of Residential Tenancies
Information and Privacy Commissioner
Judges of the Provincial Court
Legislative Assembly (Members of the)
Members of the Public Service of Saskatchewan
as defined by *The Public Service Act, 1998*
Ombudsman
Provincial Auditor
Supervising Justice of the Peace, appointed
under section 3 of *The Justices of the Peace
Act, 1988*

Administration

The Public Employees Dental Plan is self-insured and is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The Great-West Life Assurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

Funding

Funding for the Plan is totally employer paid as a percentage of gross salary. Effective April 1, 2003, premium funding was paid at a straight rate of 0.9% of gross salary.

Effective April 1, 2006, premium funding was paid at a straight rate of 1.4% of gross salary.

Effective July 1, 2009, premium funding was paid at a straight rate of 1.15% of gross salary.

Benefits

The Plan provides three levels of coverage as follows:

<u>Reimbursement</u>		
Level I	Preventive Services	100%
Level II	Basic & Routine Services	75%
Level III	Major Restorative Services	50%

Eligible dental expenses are reimbursed to a maximum of the fees outlined in the suggested fee guide issued by the College of Dental Surgeons of Saskatchewan.

Additional coverage for enhanced dental benefits has been provided for certain employer and union groups.

Contributions/Claims Experience

	<u>Dec 31, 2010</u>	<u>Dec 31, 2009</u>
Contributions	\$27,094,532	\$30,420,014
Claims	\$24,008,084	\$23,308,658
# of Claims Paid	108,642	108,558

Management's Report

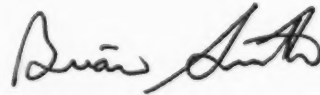
To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Dental Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Dental Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Public Employees Dental Fund for the year ended December 31, 2010 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency



Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency



Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 10, 2011

Public Employees Dental Fund

Financial Statements

Year Ended December 31, 2010

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Dental Fund, which comprise the statement of financial position as at December 31, 2010, and the statements of operations and net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Dental Fund as at December 31, 2010, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
March 10, 2011

Brian Atkinson, FCA
Acting Provincial Auditor

**Public Employees Dental Fund
Statement of Financial Position**

Statement 1

As At December 31

	<u>2010</u>	<u>2009</u>
ASSETS		
Due from General Revenue Fund (Note 3)	\$31,021,537	\$28,574,030
Employer contributions receivable	710,783	1,148,570
Interest Receivable	79,261	17,458
Total Assets	<u>\$31,811,581</u>	<u>\$29,740,058</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$103,206	\$ 118,552
Provision for unpaid claims (Note 7)	733,588	813,841
Total Liabilities	836,794	932,393
NET ASSETS (STATEMENT 2)	<u>30,974,787</u>	<u>28,807,665</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$31,811,581</u>	<u>\$29,740,058</u>

(See accompanying notes to the financial statements)

**Public Employees Dental Fund
Statement of Operations and Net Assets**

Statement 2

Year Ended December 31

	2010		2009
	Budget (Note 8)	Actual	Actual
REVENUE			
Employer contributions	\$27,569,802	\$27,094,532	\$30,420,014
Interest (Note 3)	213,000	179,454	108,493
	<u>27,782,802</u>	<u>27,273,986</u>	<u>30,528,507</u>
EXPENSES			
Claims incurred	25,706,000	24,008,084	23,308,658
Adjudication fees	1,059,000	980,620	953,076
Administration expenses (Note 4)	166,564	118,160	193,122
	<u>26,931,564</u>	<u>25,106,864</u>	<u>24,454,856</u>
Surplus for the year	851,238	2,167,122	6,073,651
NET ASSETS, BEGINNING OF YEAR	<u>28,807,665</u>	<u>28,807,665</u>	<u>22,734,014</u>
NET ASSETS, END OF YEAR (STATEMENT 1)	<u>\$29,658,903</u>	<u>\$30,974,787</u>	<u>\$28,807,665</u>

(See accompanying notes to the financial statements)

**Public Employees Dental Fund
Statement of Cash Flows**

Statement 3

Year Ended December 31

	2010	2009
Cash flows from (used in) operating activities:		
Employer contributions received	\$ 27,532,320	\$ 30,077,558
Interest received	117,651	77,730
Claims paid	(24,088,337)	(23,199,252)
Administration expenses paid	(133,766)	(224,950)
Adjudication fees paid	(980,361)	(944,452)
	<u>2,447,507</u>	<u>5,786,634</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of investments	<u>0</u>	<u>17,197,000</u>
Net increase in cash	2,447,507	22,983,634
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	<u>28,574,030</u>	<u>5,590,396</u>
DUE FROM GENERAL REVENUE FUND, END OF YEAR	<u>\$ 31,021,537</u>	<u>\$ 28,574,030</u>

(See accompanying notes to the financial statements)

Public Employees Dental Fund Notes to the Financial Statements

December 31, 2010

1. Description of the Fund

The Public Employees Dental Fund (Dental Fund) is used to account for the transactions of the Public Employees Dental Plan (Plan). The Plan was established February 1, 1982 and continues under subsection 64(2) of *The Financial Administration Act, 1993*. The Plan is designed to promote good dental health among plan members by reducing the members' costs for preventive, routine and major dental services. The Plan consists of core and enhanced dental benefits.

The Plan is funded entirely by the employers who are members of the Plan. Employers consist of the Public Service of Saskatchewan as defined by the *Public Service Act*, and certain Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

Participating employers pay for the core benefits by contributing 1.15% of gross salary.

Enhanced dental benefits are provided to employees of certain participating employers. Each participating employer pays for any enhanced benefits it provides to its employees. Participating employers pay for these enhanced benefits by contributing a straight percentage of gross salary, a predetermined amount per employee, or lump-sum payments. These employers are responsible to ensure amounts contributed are sufficient to pay for the enhanced benefits and administration costs. If amounts contributed are not sufficient to pay for the enhanced benefits and administration costs, the employers must remit additional contributions. Where contributions exceed the enhanced benefits and administration costs, employers may seek a refund of surplus contributions by submitting a formal request to the Dental Fund. During the year, the Dental Fund received no such requests. At December 31, 2010, an accumulated surplus of \$6,601,013 (2009 - \$5,939,571) relating to the enhanced benefits is included in net assets.

The Saskatchewan Government and General Employees Union (SGEU) authorized that its Benefits Plans' Surplus funding of 0.47% be redirected to the Dental Fund for the period August 1, 2008 to March 31, 2010. This amounted to \$663,852 in 2010 (2009 - \$2,486,089).

The Public Employees Benefits Agency (PEBA) administers the Plan. Under an agreement with the Great-West Life Assurance Company, claims are adjudicated and processed for payment.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Plan is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to for-profit entities. The following accounting policies are considered significant.

a) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Unpaid Claims

The provision for unpaid claims represents a provision for the cost of claims reported but not paid prior to year end and an estimate of claims incurred but not reported based upon past claims experience.

d) Accounts Payable and Accrued Liabilities

The estimate of adjudication expenses to be incurred on claims not yet paid is included in the provision for accounts payable. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes.

e) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Significant items subject to such estimates and assumptions include the determination of the provision for unpaid claims and adjudication expenses to be incurred on claims not yet paid. Actual results could differ from those estimates.

f) Financial Assets and Liabilities

The CICA Handbook, Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial assets or liabilities have been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets classified as held for trading are measured at fair value and changes in fair value are recognized in surplus for the year. Loans and receivables, or other financial liabilities are measured at amortized cost using the effective interest method. The Dental Fund has no financial instruments designated as available for sale or held to maturity.

The Dental Fund has designated its due from the General Revenue Fund as held for trading. Employer contributions receivable are designated as loans and receivables. Accounts payable and accrued liabilities are designated as other financial liabilities.

g) Future Accounting Policy Changes

In December 2009, the Public Sector Accounting Board issued an amendment to the introduction to the Public Sector Accounting (PSA) Handbook. Effective for fiscal years beginning on or after January 1, 2011, other government organizations (OGOs) are directed to PSA standards unless these standards do not meet their users' needs. The Plan has determined the PSA standards are appropriate and will be adopting the PSA Standards for the fiscal year ending December 31, 2011.

3. Due from General Revenue Fund

The Dental Fund bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Dental Fund's interest income is calculated and paid by the General Revenue Fund on a quarterly basis into the Dental Fund's bank account using the Government's thirty-day borrowing rate, and the Dental Fund's average daily bank account balance. The Government's average thirty-day borrowing rate in 2010 was 0.60% (2009 -0.47%).

4. Administration Expenses

PEBA administers the Dental Fund for a mutually agreed upon fee. The Dental Fund pays these administration expenses on dates agreed to by PEBA. Included in accounts payable is \$9,233 (2009 - \$6,373) due to PEBA.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Dental Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). These transactions are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contribution receivables are from related parties.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

6. Financial Risk Management

The nature of the Dental Fund's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, and liquidity risk. The Dental Fund is not exposed to any market risk.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Dental Fund's credit risk arises primarily from the following distinct sources:

	2010	2009
Due from General Revenue Fund	\$ 31,021,537	\$ 28,574,030
Employer contributions receivable	710,783	1,148,570
Interest Receivable	79,261	17,458

The maximum credit risk to which the Dental Fund is exposed is limited to the carrying value of the financial assets summarized above.

Employer contribution receivables are generally receivable within 30 days.

Liquidity risk

Liquidity risk is the risk that the Dental Fund is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short term to maturity.

7. Provision for Unpaid Claims

The provision for unpaid claims includes claims that have been incurred but not yet reported at year end.

Management estimated the claims incurred but not reported at year end totaled \$647,201 (2009 - \$751,969). The establishment of the estimate for unpaid claims incurred but not yet reported relies on a number of factors which necessarily involves risks that the actual results may differ materially from the estimates in the near term. However, dental claims are short-term claims and tend to be reasonably predictable.

In 2010, the Dental Fund paid \$789,838 related to claims incurred prior to December 31, 2009 (2009 - \$801,876 for claims incurred prior to December 31, 2008).

The fair value of claims incurred but not reported at year end has been omitted because it is not practicable to determine fair value with sufficient reliability.

8. Budget

PEBA approved the annual budget for the Dental Fund.



